

The Chad-Cameroon Oil & Pipeline Project

A PROJECT NON-COMPLETION REPORT



photos by Korinna Horta

“The World Bank should be held accountable and must properly address the failure to deliver poverty reduction and protection of indigenous peoples and the environment in the Chad-Cameroon project. It must also learn from the mistakes that were made here for other investments in extractive industries or large-scale infrastructure. The World Bank’s ‘Decade for Africa’ should not become a mockery.”

- Archbishop Desmond Tutu

*Bagyeli children of the
Bandevoouri community*

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Acknowledgements

We are deeply grateful to many people in Chad, Cameroon, North America and Europe for their support and deep commitment to ensuring that social justice and environmental protection do not remain empty words, especially now that oil is flowing from southern Chad through Cameroon to feed the energy demands of the world market and raise the profits of some of the world's richest oil companies.

We especially want to thank Jeanne Nouah, Irène Mandeau, Jacqueline Moudeina, Dobian Assingar, Belmond Tchoumba, Nico Kamte, Valerie Nodem, Martin Petry, Martin Zint, Nikki Reisch, Ian Gary and Knud Vöcking. For their assistance with this report we also wish to thank Bruce Rich, Ken Walsh and Allison Cobb.

PROJECT AREA:

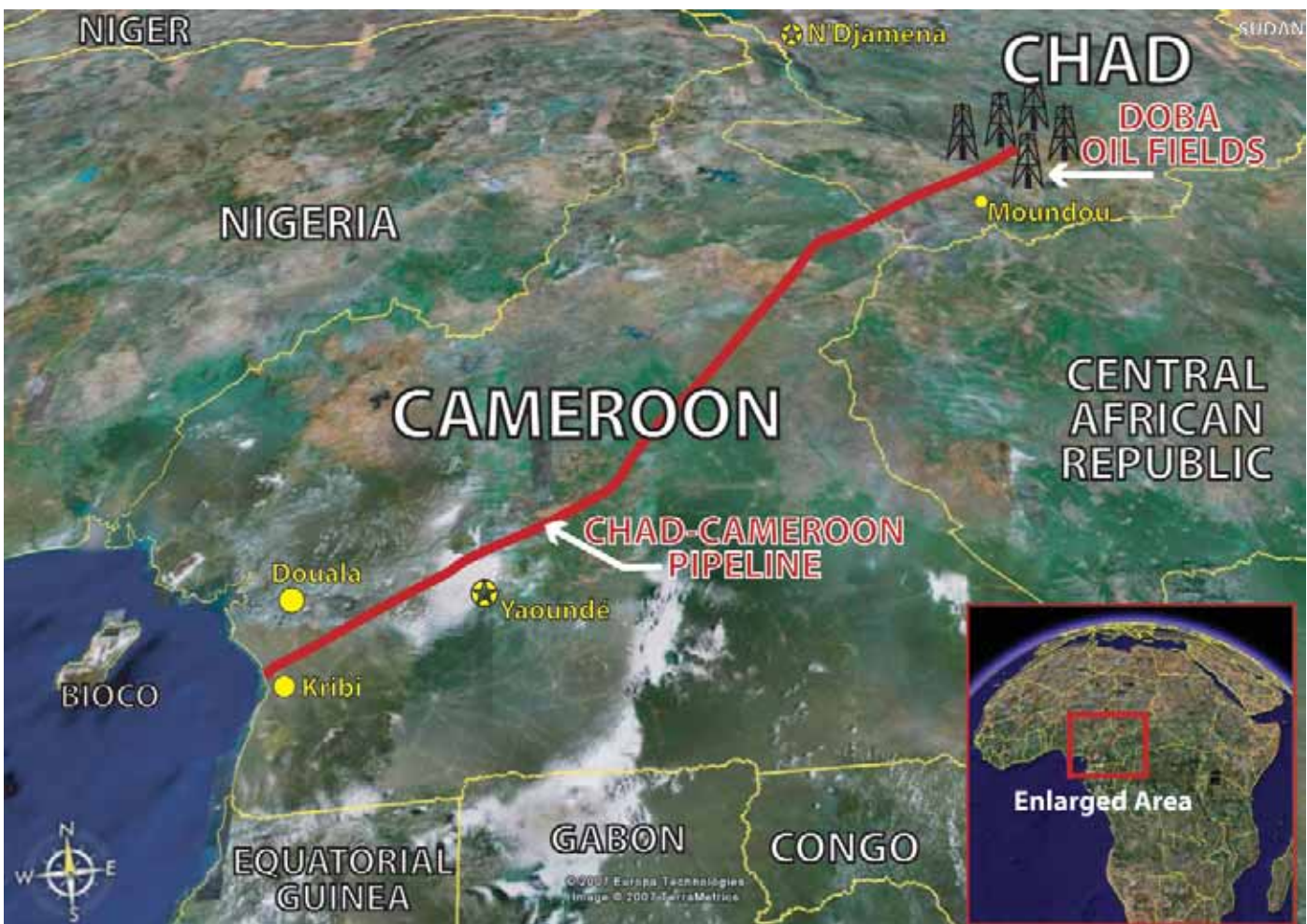
“ The construction of the pipeline project has not solved the real problems in Chad, but has further aggravated them... There is no improvement in the situation of people in both countries and there is concern about a creeping deterioration. ”

- German Parliamentary Delegation

Parliamentary fact finding mission January 19-27, 2007, report by members of parliament Ute Koczy and Dr. Bärbel Kofler.¹

In Memoriam: Susan Leubuscher

Our dear friend and colleague passed away in Brussels on February 28, 2007. As a lawyer, she used her brilliant legal skills to fight for justice for the poor and hold international financial institutions and multinational corporations accountable for their actions. She was a contributor to our previous reports on the Chad-Cameroon project.



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Executive summary

When the Chad-Cameroon Oil and Pipeline Project was officially inaugurated in 2003, the World Bank explained its rationale for supporting the project: "There are two essential reasons for World Bank Group involvement: The first is to help ensure that Chad's oil money is used for the well-being of all Chadians, particularly the poor.... The second reason is that World Bank Group involvement has helped ensure that the Bank Group's rigorous safeguard policies were observed in order to implement the project in an environmentally and socially sound manner."²

Despite the World Bank Group's unprecedented efforts, it has failed on both counts. The social and environmental situation in Chad has not improved. In fact, there is evidence (some reflected in World Bank statements and official reports) that things are worse. The project appears to have fueled violence, impoverished people in the oil fields and along the pipeline route, exacerbated the pressures on indigenous peoples and created new environmental problems. Meanwhile ExxonMobil, the leader of the oil consortium and the world's largest oil company, is registering record profits.

Project completion report

The World Bank has produced a Project Implementation Completion Report (ICR) signaling that its role in the project has ended. An ICR is meant to assess whether core development objectives have been achieved, to review compliance with the safeguard policies and to assess the actions of the borrowing government.

The ICR, dated December 2006 and made publicly available in January 2007, includes some important insights and recommendations.³ However, it also contains numerous misrepresentations and is seriously at odds with the findings of the official project monitors, the External Compliance Monitoring Group and the International Advisory Group.

These ICR ratings can only be described as incomprehensible, detached from reality and, therefore, misleading, as are numerous statements throughout the document. The claims that compensation and the Indigenous Peoples Plan have been implemented in a timely manner and that affected communities participate in economic development are examples of these misstatements (ICR, 22).

To its credit, the ICR recognizes that oil revenues are likely to aggravate the security problems in Chad. Indeed, the phenomenon of the "resource curse" was well-known before the Bank embarked on this high risk project. A World Bank report - embargoed until about a week after the Bank approved the Chad-Cameroon project in 2000 - asserts that a low-income country's dependence on exports of primary commodities represents the most serious risk for armed conflict over control of this most lootable of all economic activities.⁴

New oil

One of the key promises of the project, enshrined in the Bank's loan and project agreements, was that all additional oil using the pipeline would be subject to the same environmental and social standards. The ICR now admits that enforcing this clause will be problematic (ICR Overview, 40). It appears that governments and the private sector can ignore legal agreements when convenient without having to fear sanctions. This is a damaging precedent.

Conclusion

Normally the World Bank's active involvement in a project reaches its end with the ICR. Too much is at stake here for the Bank to just walk away. Given the World Bank Group's responsibility for this project, it must immediately address the outstanding environmental, livelihood and compensation problems. Of special concern are Cameroon's indigenous Bakola/Bagyeli people, who have seen a worsening of their already precarious situation, and who face threats to their survival as a people.

Completion report performance ratings

Outcome:	Satisfactory
Sustainability:	Unlikely
Institutional Development Impact:	Modest
Bank Performance:	Satisfactory
Borrower Performance:	Satisfactory

Source:ICR, 1

RECOMMENDATIONS

The Bank should start addressing the issues of the Chad-Cameroon oil and pipeline project by immediately mitigating problems identified by the independent monitors. For example:

- Resolve problems of dust pollution, hazardous waste and general public health.
- Ensure adequate compensation and the restoration of livelihoods in the oil-producing region.
- Scan all regional compensation projects for defects and identify solutions and resolve outstanding grievances.
- Ensure active participation by indigenous peoples in the Indigenous Peoples Plan and ensure their right of ownership to the land they traditionally occupy.

As Archbishop Desmond Tutu suggests, the World Bank will make a mockery of its "Decade for Africa" if it does not draw meaningful lessons from this project. Many of these lessons are not new; they were reflected in the report by the World Bank-sponsored Extractive Industries Review (EIR) in 2004.

The experience of the Chad-Cameroon project illustrates the soundness of the EIR recommendations related to governance, transparency, capacity to manage environmental impacts and human rights. Revisiting the EIR's recommendations and fundamentally rethinking the World Bank's approach to extractive industries and other high risk projects is critical if these types of investment are to be more than a reckless gamble with the lives of the poor.

1. Introduction

The success of the Chad-Cameroon Oil and Pipeline Project "will be measured by poverty reduction rather than by barrels of oil produced or millions of dollars received by Chad for oil exports."⁵ This was the World Bank's central promise before project approval by its Board of Executive Directors in 2000. The World Bank has now published its Project Implementation Completion Report (ICR) and an accompanying Overview Document.

An ICR, just as its name indicates, signals that a project has been completed. Its key objectives are to assess whether core development objectives have been

achieved and to review compliance with safeguard policies. But the ICR makes no attempt to measure the project's results in terms of poverty reduction, and its assertions that safeguard policies have been complied with are seriously at odds with the findings of the Bank's own project monitoring groups.

Oil, gas and mining projects have left a legacy of impoverishment, human rights abuses, poisoned landscapes and often violent conflict in sub-Saharan Africa. When the World Bank approved funding and thus gave the green light to Africa's single largest development project, it promised that the Chad-Cameroon Oil and Pipeline project would break what has come to be called the "resource curse." This, the World Bank said, would

The trajectory of the project as seen by project sponsors

“ The World Bank's promise in 2000: *an unprecedented framework to transform oil wealth into direct benefits for the poor* ”

(World Bank Press Release, June 6, 2000).

“ The World Bank on its result in 2006: *In summary, however, it is at best unclear whether the growth generated by oil has not yet had a significant impact on the poor population of Chad, particularly in the rural areas* ”

(ICR Overview December 2006, 36).

“ ExxonMobil in January 2007: *We should never have called this a development project* ”

Ron Royal, President of Esso Chad, ExxonMobil's top manager in Chad to a parliamentary delegation from the German Bundestag, January 2007.

At a glance: the Chad-Cameroon Oil & Pipeline Project

- The single largest on-shore investment in Africa today
- Total estimated cost: US \$4.2 billion

ACTIVITIES OF ORIGINAL PROJECT

- Drilling of 300 oil wells in the Doba fields of southern Chad
- Construction of a 650-mile pipeline from Doba through Cameroon to the Atlantic.
- Building of a marine terminal at Kribi and marine pipeline to a floating storage off-loading (FSO) vessel
- Estimated production of 225,000 barrels per day

EXPANSION OF OIL PRODUCTION

The built-in capacity of the pipeline represented an incentive to explore for oil in other areas of the region. Active exploration is occurring near Sarh, and new oil fields have already been developed outside the original Doba fields. The World Bank promised that all new oil using the pipeline would have to adhere to the same environmental and social principles of the original project. It signed legal covenants with the governments and with the ExxonMobil-led consortium to this effect. But the Bank now doubts that these legal loan conditions can be enforced (ICR).

ROLE OF THE WORLD BANK GROUP

"The Bank Group's support has been a key element in catalyzing the involvement of the Private Sponsors, who have stated that they would be unwilling to proceed with the project without the Bank Group's participation..." (World Bank Project Appraisal Document, 22)

The ExxonMobil-led Consortium made World Bank participation a pre-condition for the project for reasons of political risk insurance and to attract financing from other public and private sources.

be an entirely different project, an "unprecedented framework to transform oil wealth into direct benefits of the poor."⁶ The executive directors of the World Bank approved financing for the project in June 2000, and Chad became Africa's youngest oil-exporting country in October 2003.

Sadly, the project has fallen far short of the Bank's initial vision. Since construction began in 2000, Chad has slipped on the United Nations Development Program's Human Development Index from No. 167 to No. 173 (in 2005), and average life expectancy has dropped from 44.7 years to 43.6 years. The project carries less weight in Cameroon's much larger economy, but an estimated 40% of Cameroon's people live in extreme poverty, and the project's impacts are no less dramatic for those affected. For the small minority of indigenous Bakola/Bagyeli Pygmies in Cameroon's southwestern forests, the project has only deepened abuse and discrimination.

The goals of this report

1. We urge the Bank to take immediate and effective measures to address the myriad social, environmental and public health consequences of the project. Usually an ICR signals the loss of budgets for project supervision and of other institutional levers that are necessary to address unresolved problems. The WBG cannot allow this to happen here. It should mobilize all the resources necessary to correct and mitigate the problems created by the project to the greatest extent possible.
2. It is urgent that the Bank apply the lessons of the Chad-Cameroon project to other extractive industry and large-scale infrastructure investments. The WBG is now embracing a new generation of so-called "High Risk/High Reward" projects. One way forward is to revisit the recommendations made by the Extractive Industries Review (EIR) in 2004.

Our report begins by describing the World Bank's involvement in the project. It then considers the security situation in Chad and the project's impacts on poverty, livelihoods and the environment. We conclude with recommendations for a more substantive World Bank dialogue with civil society organizations, which—had it

taken place in the context of this project—might have prevented environmental damage and impoverishment in both countries, and the wasting of non-renewable resources and the aggravation of violent conflict in Chad.

Financial structure of the Chad-Cameroon Oil & Pipeline Project

PRIVATE SECTOR SPONSORS

ExxonMobil (40%)
Petronas-Malaysia (35%)
Chevron (25%)

WORLD BANK GROUP

IBRD loans: \$93 million
IFC \$100 million direct investment and mobilization of \$100 million in syndicated loans from commercial banks.

TECHNICAL ASSISTANCE IDA CREDITS:

Chad - Management of the Petroleum Economy Project (\$17.5 million)
Chad - Petroleum Sector Management Capacity-Building Project (\$23.7 million)
Cameroon - Petroleum Environment Capacity Enhancement Project (\$5.77 million)

WORLD BANK GROUP PARTICIPATION LED TO

European Investment Bank (EIB) loan of €144 million.

Export Credit Agencies:
U.S. Export-Import Bank \$200 million
COFACE (France) \$200 million

Numerous commercial banks

External project monitoring

Panel of Environmental Experts
(Only during planning stages of the project, reports remained confidential)

International Advisory Group (IAG)
www.gic-iag.org

External Compliance Monitoring Group (ECMG)
www.ifc.org

2. Lines of responsibility—the World Bank

Although the World Bank Group (WBG) contributed only about 3% of total project costs, it served as the catalyst for the Chad-Cameroon Oil and Pipeline Project. Both the initial Project Appraisal Document (April 2000) and the ICR (December 2006) state that ExxonMobil "made it clear that it would not be able to go ahead without the 'political risk' coverage provided by World Bank participation" (ICR, 3). Accordingly, Bank management cannot make the traditional argument that the project would have gone ahead without its involvement, and that it is improving what would otherwise be an environmentally and socially questionable endeavor.

Indeed, the World Bank undertook unprecedented efforts to "get things right" in this project, largely

because of the intense public scrutiny. According to the ICR, more than 50 World Bank and 20 IFC staff were associated with the project, given that "particularly after 1995, the World Bank received a barrage of complaints from NGOs, parliamentarians and individuals, largely from western industrial countries, expressing serious concerns about the advisability of the project.... To address some of these issues, it was ultimately decided to support the project with three IDA credits for capacity-building" (ICR, 12).

In its attempt to portray the criticism as rich-country kinds of concerns, the World Bank fails to acknowledge the pioneering role played by Chadian civil society. It is also disturbing to learn that the capacity-building projects were largely undertaken in response to external pressure, and not because of the well-known lack of capacity of both the Chadian and the Cameroonian governments.

The intense public scrutiny also led to an extraordinary amount of official monitoring efforts. The WBG relied on an External Compliance Monitoring Group (ECMG), run by D'Appolonia, a private consulting company based in Italy, and an International Advisory Group (IAG) to monitor compliance with the project's Environmental Management Plan and related issues. The ECMG which is employed by the World Bank's private sector arm, the International Finance Corporation, includes highly specialized experts in a variety of fields. The IAG is a group of five distinguished individuals led by Mr. Mamadou Lamine Loum, a former prime minister of Senegal. The ICR describes these arrangements as pioneering and notes the Bank intends to use the same model for other high-profile projects.

Both the ECMG and IAG have produced painstakingly researched reports. Unfortunately, the lack of concrete follow-up means that both groups have had to repeat the same findings and recommendations in report after report. Disturbingly, the ICR contains numerous statements that are significantly at odds with the official project monitoring reports. These inconsistencies and misrepresentations appear to be efforts to shield the WBG from having to acknowledge its responsibility for the deepening poverty, environmental degradation and worsening security situation surrounding the project.

But the ICR also raises critical questions: "How should the World Bank shape its policy dialogue in countries with weak institutional and governance capacity? And how should the World Bank be involved in complex projects, notably those in the infrastructure and extractive industries sectors?" (Overview, 29). While the ICR does not answer these questions, the report by the

2004 Extractive Industries Review (EIR) does.

The EIR was a World Bank-sponsored but independent two-year evaluation of the role of the WBG in the oil, mining and gas sectors, in light of the institution's mission to alleviate poverty. One of its central recommendations concerns the need to ensure that governments have the capacity to address environmental and social impacts and to manage oil revenues in an equitable fashion before investments are made. The World Bank management rejected this recommendation of the EIR, which the experience of the Chad-Cameroon project illustrates to be essential.

Clearly, the lack of democracy in Chad and Cameroon has much to do with the inequities and environmental degradation brought about by the project. Although the World Bank is not directly responsible for the political situation in both countries, now that it has unleashed this mega-project, it must share the responsibility for the deterioration of the social situation and the environment that the project has unleashed. It is a cruel irony that the world's largest development agency has gambled recklessly with the lives of poor Africans while contributing to record profits of the world's most prosperous oil company.

The ICR states that it is premature to draw final conclusions just two years after oil revenues started to flow (Overview, vii). But it is time to take stock now that the Bank has issued its completion report. The World Bank touted this project as a model for catalyzing private investment in Africa (Overview, 14). Seven years in, one should expect all the mechanisms to manage the oil revenues and address the environmental and social impacts to be fully functional.

3. Oil funds aggravating violence

The ICR refers to the dire security situation in Chad and acknowledges that "The tension is likely aggravated by the new petroleum resources, which have raised the stakes associated with power, and by the paucity of tangible results associated with oil revenues to date" (Overview, 1). Indeed, oil-related income is set to triple in 2007-2008, and the proliferation of armed rebellions is not unrelated to a fight over the spoils. The availability of oil money has also, undoubtedly, lured the world's

arms merchants to a region already awash in weapons.

Worse, oil money appears to contribute to the violence on the Chad-Sudan border, as well as to the suffering of large numbers of refugees. It is from here that members of President Déby's own ethnic group and inner family circle have launched a rebellion against his rule. According to the Economist Intelligence Unit, it is difficult to distinguish between political and inter-communal violence in the region, but tensions are increased "by the government's arming of local militia, and by the dislocation of pastoral and sedentary livelihoods as a result of the fighting."⁷

Inexplicably, the ICR's view of the Chad situation

Timeline of the Chad-Cameroon Oil & Pipeline Project

1970s First discoveries of petroleum in Chad.

1997-1999 Intense preparations of the Chad-Cameroon Oil & Pipeline Project by World Bank Group and Exxon-Mobil-led consortium. African and international NGOs warn of environmental destruction, human rights abuses and violent conflict as a result of the project.

1998 Amnesty International documents massacres of unarmed civilians in oil-producing region.

1999 Bebedja Declaration: Chadian NGOs call for a moratorium on financing the project until conditions and government capacity are in place to protect human rights and the environment and ensure equitable use of oil revenues.

June 2000 Project approved by the World Bank's Board of Executive Directors.

October 2003 Official Inauguration of the Project: World Bank, ExxonMobil and presidents of Chad and Cameroon celebrate; civil society in Chad declares a national day of mourning.

October 2005 World Bank workshops in N'Djamena and Yaoundé: Celebration of a model public-private partnership; Chad first announces intention to change oil revenue management law.

January 2006 Chad's president signs change of oil revenue management system into law. World Bank suspends lending to Chad, triggering freeze of Chad's access to off-shore escrow account.

April 2006 Interim agreement between World Bank and Chad to allow for partial resumption of loans and access to off-shore oil funds account.

July 2006 Chad and World Bank sign new Memorandum of Understanding.

December 2006 Project Completion Report (ICR) issued internally at World Bank.

glosses over political realities. The only reference to the lack of political will is in the statement "the Chadian team was never politically empowered to disseminate information or undertake communications activities" (Overview, 25). The report's technocratic development discourse, unrelated to political realities, is a continuation of its predecessor, the Project Appraisal Document (PAD) of 2000, which contains serious misrepresentations such as "Chad has successfully put in place democratic political institutions."⁸

The World Bank's Articles of Agreement rightly preclude the institution from interfering in the internal affairs of its member countries. But that is not at issue here: The World Bank's central objective of reducing poverty has little chance of being advanced when it ignores a broader perspective on a country's conditions.

The ICR refers to Chadian elections and the change in the country's constitution that allowed President Déby to hold onto his power, as if these were regular and legitimate events. But there have been no free and fair elections in Chad, and the change in the constitution has even broken up the consensus that existed among Chad's governing elite. Some of President's Déby family members have now left the inner circle and are leading rebellions against him from Chad's border with Darfur. It is this region that propelled President Déby to power in a military coup in 1990. While the situation is complex, President Déby has found it easier to blame Sudan for his troubles than acknowledge the home-grown dimensions of the conflict on Chad's border with Sudan. It is here where several hundred thousands of displaced people are in urgent need of protection.

The link between wealth in natural resources, bad governance and violent conflict has been well-documented. The World Bank itself issued a report on the economic causes of conflict. It concludes that a low-income country's dependence on exports of primary commodities represents the most serious risk for armed conflict over control of this most lootable of all economic activities. It does not seem to be a coincidence that this report was embargoed until about one week after the World Bank's approval of the Chad-Cameroon project.⁹

Although the armed rebellion on Chad's border with Darfur could not have been predicted at that time, ample evidence existed of a political regime prone to violence and adverse to basic democratic rights. That should have rung the alarm bells in the halls of the World Bank.

Chadian human rights organizations, as well as the U.S. State Department's annual reports on human rights, painted a picture of a dismal lack of respect for human rights at the time of intense project preparations in the late 1990s. Amnesty International documented the massacre of unarmed civilians in southern Chad¹⁰ and the U.S. Peace Corps decided to withdraw all its volunteers from

Chad because of the spread of violence.¹¹

The country had just begun to emerge from a 30 year civil war that pitted the largely Muslim northern part of the country against the mostly Christian and animist south. Repression and intimidation were ever present in southern Chad where the oil is buried. The risks that the ruling elite from the country's northern clans would use violence to secure the oil in the disenfranchised south were evident.

The independent International Advisory Group (IAG) reports that people in the oil zone unanimously raised concerns about the lack of security and adds that it was informed "that the gendarmes assigned to protect the oil zone are harshly enforcing an unofficial curfew in the zone starting at 6:00pm"¹² The gendarmes and the security apparatus in charge of the oil field region come from the northern part of the country, with which local populations have been at war for many years.

For several years the IAG has documented the pervasive problem of lawlessness in the region. Robbery, pillage and banditry not only go unpunished, they usual-

ly involve the security forces. Human rights activists, such as members of the Chadian Association for Non-Violence, who try to assist the population are jailed and threatened with death.¹³ The External Compliance Monitoring Group (ECMG) had to cancel its project monitoring visit to Chad in 2006 for security reasons. Even World Bank staff in the capital N'Djamena had to be evacuated to Cameroon at one point.

The World Bank's Operations Evaluation Department carried out an assessment of extractive industries in poorly governed countries. Its conclusions closely mirror the reality in Chad: "Should progress in attracting investment outstrip progress in establishing governance prerequisites for good development outcomes, the Bank risks facilitating the wastage of a country's non-renewable resources, as well as contributing to environmental damage, violence and weakening of the quality of governance itself. Moreover, when investment is increased in a poor governance environment, subsequent reforms are likely to become even more difficult."¹⁴

4. Failure of capacity-building

Chad lacked the experience and capacity to effectively manage its new oil economy, and both Chad and Cameroon lacked the capacity to address the environmental and social consequences of a project of this magnitude.

In order to remedy this situation, the World Bank provided funding for capacity-building projects that were meant to be carried out in parallel with the oil project. Two IDA credits went to Chad for capacity-building projects, the Management of the Petroleum Economy Project (\$17.5 million) and the Petroleum Sector Management Capacity-Building Project (\$23.7 million). In order to build Cameroon's capacity, the World Bank provided an IDA credit for the Cameroon Petroleum Environment Capacity Enhancement project (\$5.77 million).

We will review the revenue management aspects in the following sections. What about the environmental and social issues? According to the ICR, the Bank undertook an assessment of the governments' capacities and "as a result, a plan was developed to strengthen relevant units to ensure adequate environmental management and monitoring" (Overview, 11).

According to the project agreements, the govern-

ments were ultimately responsible for protecting the environment: They were put in charge of monitoring the private oil consortium's implementation of the Environmental Management Plan. They also were in charge of addressing the indirect impacts of the project in areas such as public health, the encroachment on the land of indigenous people and the uncontrolled exploitation of natural resources, such as logging and poaching.

Accordingly, the project could succeed only if the governments had the political will and the capacity to carry out their responsibilities. But the World Bank's capacity-building efforts in both countries have largely failed. The official project monitoring groups, ECMG and IAG, warned early on about the serious delays in capacity-building. The IAG referred to a two-speed situation, where the construction of the oil project advanced rapidly, while the capacity-building projects lagged behind or had hardly got off the ground. According to the IAG, the World Bank shared responsibility for this failure: "The World Bank is seriously called to account in this regard: its capacity to supply the requested assistance to institutions in a timely manner, especially in Chad, could compromise the most important factor in the economic and social success of the project."¹⁵

The governments have not been able to monitor whether the private oil consortium was actually comply-

ing with the Environmental Management Plan because they depended largely on the consortium itself for everything from transport to training. The ICR recognizes that the government officials in charge of project monitoring built their reports only on information and data provided by the companies. The lesson the ICR draws is that there should have been a separate budget for the cost of project monitoring and supervision by the governments (Overview, 38).

A key problem certainly was the governments' lack of interest in matters concerning the environment and social development. According to the ICR, "In Cameroon, the authorities did not display strong ownership of the Project, including the petroleum environment

capacity enhancement component" (Overview, 16). But this did not prevent the ICR from rating Cameroon's overall implementation as satisfactory (ICR, 15).

While the ICR does not refer to project failure, a principal lesson it draws is "the need to carry out a solid pre-assessment of existing national capacities and hence define the needs and the importance of initiating capacity-building programs as much as possible in advance of the project" (ICR, 17).

However, as mentioned above, an assessment of government capacity was carried out, and the capacity-building projects were based on its findings. The ICR does not reflect on what went wrong here despite the fact that much else hinged on it.

5. Poverty impacts

Bad deals and hard loans

The World Bank's reason for supporting the Chad-Cameroon project was "to play a significant role in reducing poverty in one of Africa's poorest regions."¹⁶ The aim was to increase fiscal revenues for investment in social programs. One would assume that the Bank would have assisted Chad – a country with "little exposure to foreign exchange transactions" (Overview, 33) and no experience in dealing with international oil companies – in obtaining the best possible deal in the negotiations with the private consortium. But Chad got a questionable deal. The World Bank's own Inspection Panel stated that it was struck by the poor financial returns for Chad for a 28-year period and expressed concerns that it was unable to find any analysis to justify the allocation of revenues among Chad, Cameroon and the consortium.¹⁷

While an income of 40% to 60% of oil sales is the norm for African oil producing countries, Chad is reported to receive 12.5%. The fact that Chad's oil income is now much larger than initially expected is due to the large increase in oil prices and activities in new oil fields. In the case of Cameroon, a transit fee of 41 cents per barrel of oil was fixed; it is unrelated to changes in the price of oil.

Both Chad and Cameroon are International Development Association (IDA) countries, but the World Bank switched from originally planned IDA credits to the International Bank for Reconstruction and Development (IBRD) Enclave loan window, which typically includes an off-shore escrow account for debt serv-

ice. Funding for IDA is provided by donor countries and IDA credits or grants are meant for the world's poorest countries. IBRD funds, on the other hand, are raised in private capital markets with donor contributions serving as collateral. IBRD loans are meant for middle-income countries. The switch from one type of loan to another enabled the World Bank to elude questions from northern parliamentarians and government agencies in charge of replenishing funds for IDA, some of whom questioned the use of scarce resources to partially cover the risks of an oil consortium.

The World Bank established an off-shore account for Chad, but did not do so for Cameroon because of the country's large external debt and inter-creditor obligations. Other creditors might have wanted access to Cameroonian funds in an off-shore account. Instead the World Bank decided to charge Cameroon with a 10% premium on the IBRD loan.¹⁸ The result is that the people of Chad and Cameroon are now saddled with additional debt on hard terms.

The ExxonMobil-led consortium is the main beneficiary of the arrangements. Initially ExxonMobil highlighted the development benefits of the project. For example, the colorful brochure *La Route de L'Espoir* (2002) highlights the development benefits the project has brought to Chadian villages.¹⁹ According to Ron Royal, President of Esso Chad, thanks to the project Chad's GDP grew by 40% in 2004, making it the fastest growing economy in the world with large benefits for Chadian development.²⁰ More recently, Mr. Royal presented a more realistic assessment of the project to a German parliamentary delegation: "We should never have called this a development project."²¹

Revenue management

CHAD

According to the World Bank: "There are two essential reasons for World Bank Group involvement: The first is to help ensure that Chad's oil money is used for the well-being of all Chadians, particularly the poor.... The second reason is that World Bank Group involvement has helped ensure that the Bank Group's rigorous safeguard policies were observed in order to implement the project in an environmentally and socially sound manner."²²

The centerpiece of the poverty reduction plans for Chad was the establishment of a revenue management system to ensure that oil revenues would be used for priority poverty programs. This system included a revenue management law and the establishment of an oversight committee. Moreover, representatives of civil society were to be part of this committee. The law required oil revenues to be used for poverty reduction (80%), to be saved for future generations in the post-oil era (10%), and to be earmarked for the oil-producing region itself (5%). Notably, the law contained some major loopholes. It covered only the three initial oil fields under production by the ExxonMobil-led consortium and did not apply to indirect revenues, such as income taxes on the consortium.

From the inception of the project, the Chadian government has shown little good faith in implementing the revenue management law and has created considerable hurdles for the functioning of the Oversight Committee.²³ Things got off to an embarrassing start when it became public in January 2001 that Chad had used part of its \$25 million signature bonus from the oil consortium for weapons purchases. The lack of transparency in the use of the funds violated the spirit, if not the letter, of the agreement with the Bank. This early transgression foreshadowed the more serious crisis in the revenue management system that unfolded in 2006.

Despite a lack of staff and resources, the Oversight Committee documented problems with government spending of the oil revenues, including irregularities in the transfer of funds and over-pricing of goods and services. By August 2005, the situation had become so critical that the World Bank told the *Financial Times* it had serious concerns about how the Chadian government was using the oil revenues.²⁴ But the Oversight

Committee (*Collège de Contrôle*) lacks independent financing and has no power to ensure compliance. Its role is limited to issuing reports. Furthermore, committee members have expressed their frustration about lack of access to information from both ExxonMobil and the Chadian government.²⁵ The ICR captures the problem well: "[T]he Collège has been a positive innovative experience. It has established itself, but its recommendations remain to be applied" (ICR, 8.4).

In January 2006, after several months of often public disputes between Chad and the World Bank, Chad's President Déby ratified significant amendments to the revenue management law that gutted the law's original intent. Claiming budgetary constraints and a worsening security situation, Déby added military expenditures to the definition of priority sectors for development, increased the share of oil revenues for discretionary government spending and abolished the Future Generations Account.

In light of this flagrant violation of its loan agreements, the World Bank suspended \$124 million in planned loan disbursements to Chad, which in turn triggered the freezing of the London-based escrow account into which oil revenues were being deposited by the oil consortium. Since the freeze did not cover the Future Generations Account, the government took possession of the \$36 million that had accumulated in this account.

Faced with an armed rebellion by his own ethnic group, including family members,²⁶ Déby threatened to cut off the oil pipeline at the end of April 2006. Just before this deadline, the World Bank announced an "interim agreement" with Chad and the resumption of some loan disbursements. In the process, the World Bank provided President Déby with political support just prior to the presidential elections of May 3. By then it was known that these elections would be so fraudulent that they would be boycotted by the opposition and ignored by international election observers.

In July 2006 the World Bank and the government of Chad signed a new Memorandum of Understanding. According to this agreement, Chad will commit 70% of its budget spending to priority poverty reduction programs, which cover areas ranging from infrastructure to promoting good governance. In addition, funds are to be set aside in a stabilization fund, and 5% of revenues continue to be earmarked for the Doba region where the oil fields are located.

After meeting with President Déby in Chad in July 2006, World Bank President Wolfowitz told reporters: "I think we have found ways to accomplish our joint objectives by ensuring that the resources of this country will be used to reduce poverty."²⁷ It remains to be seen if this new agreement will have anything more than cosmetic effect.

The government of Chad still has not dealt with the problems of corruption, cost-overruns, over-invoicing and ghost projects that have been documented by the Oversight Committee. Even if these issues are addressed, there remains the problem of the capacity of the ministries dealing with health, education and agriculture—the areas most important to most Chadians. The situation further deteriorated with the declaration of a state of emergency throughout the country in November 2006, which grants emergency powers to regional military governors and reduces the role of line ministries in implementing economic programs.

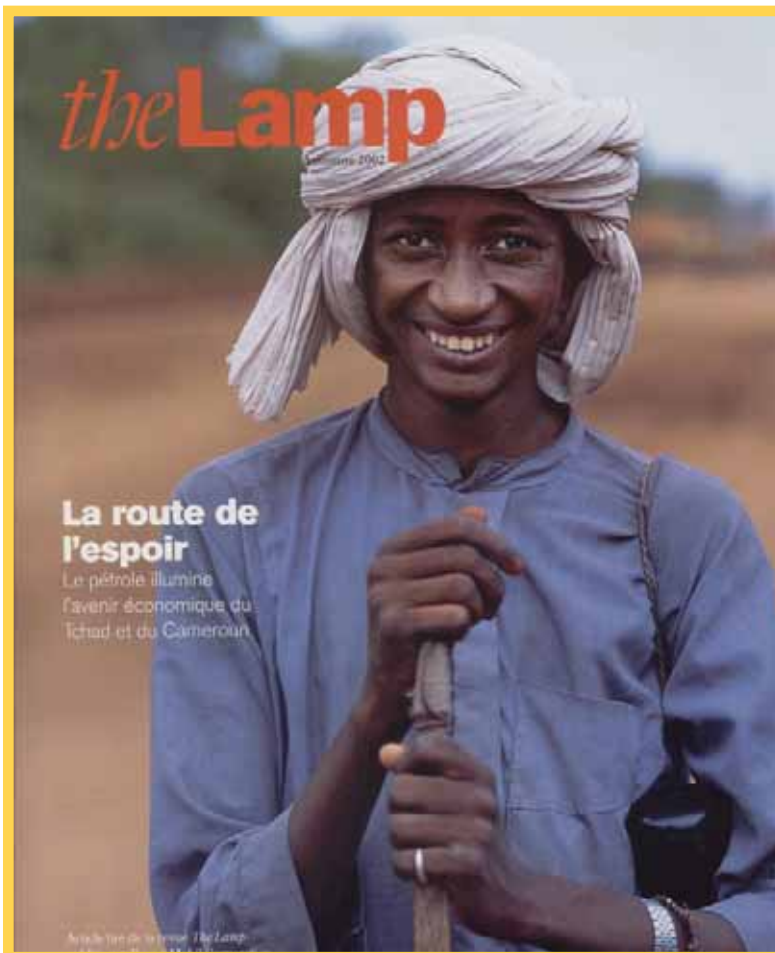
According to the Economist Intelligence Unit,

President Déby is quelling further dissent in the army with large cash bonuses, and the affiliation in various rebel groups remains fluid because of his ability to wield vast amounts of cash to bribe rebel leaders and to sow dissension and suspicion among them.²⁸

The World Bank too recognizes that the fundamental goal of the project may not be met: "In summary, however, it is at best unclear whether the growth generated by oil has not yet had a significant impact on the poor population of Chad, particularly in the rural areas" (Overview, 36). It concludes "the level of uncertainty remains too high to allow a 'likely' rating of sustainability at this stage" (ICR, 6.1.d).

CAMEROON

The previous record of Bank loans to Cameroon is unequivocal: There is little or no government interest in or commitment to investing in the social sectors. The Bank's Project Appraisal Document (PAD) in 2000 simply claimed that Cameroon would use the benefits of



LEFT: Exxon magazine "The Lamp" makes big promises

BELOW: A "gas station" in Doba near the oil fields

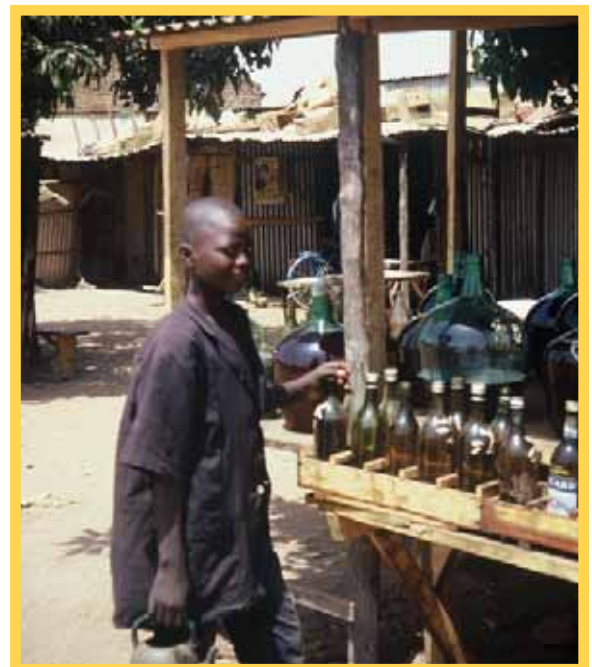


photo by Korinna Horta

pipeline activity to support its poverty strategy.²⁹ The claim was highly questionable given Cameroon's long-running problems with corruption and transparency, including the government's failure to fully transfer revenues from its own oil production to the national budget.

The World Bank's most recent Country Assistance Strategy for Cameroon reiterates findings from previous reports "accountability and transparency in the use of public resources are insufficient, with scarce public resources poorly targeted to priority sectors."³⁰

Cameroon joined the Extractive Industries Transparency Initiative (EITI) in March 2005. The EITI is an international effort aimed at improving transparency and governance of the income obtained from extractive industry activities. But according to the Economist Intelligence Unit, corruption remains rampant at all levels of government, and Cameroon's position on Transparency International's Corruption Perception Index has further declined.³¹ It remains to be seen what significance Cameroon's membership in EITI will have.

And Cameroon's income from the project? According to the ICR, it has actually declined by 21% from the original estimate because of lower export volumes (the transit fee is unrelated to the price of oil). But since the consortium is developing new oil fields, Cameroon's income is expected to rise and the ICR rates

the financial performance of the project as satisfactory (ICR, 9).

Regional development plan

The World Bank's PAD in 2000 stated that a participatory regional development plan for the oil-producing region was already under preparation. It would have been critical to have such a plan in place at the beginning of project construction to address questions of worker migration, health, sanitation services, energy, water supply, food and housing. The independent ECMG repeatedly referred to problems such as in-migration of workers and blamed bureaucratic delays within both the World Bank and the government of Chad for the situation.³²

As of March 2007, the regional development plan still has not been approved. The severe disruption that project construction entailed were never dealt with. Moreover there is no plan for the effective use of the 5% of oil revenues that the oil-producing region is supposed to receive. There are no plans and no institutions to bring benefits to the local communities that are bearing the brunt of project impacts. Instead president Déby has chosen some projects for the urban center of the Doba and Bébédja, which in the Independent Advisory Group's careful wording "do not always correspond to the people's stated priorities."³³



ABOVE: Sign near water well for village of Nkoltara, October 2005.



RIGHT: The polluted well of Nkoltara village located near the pipeline, October 2005.

photos by Korinna Horta

Bishop Michel Russo of Doba, the main town in the oil-producing region, warns that prostitution, alcoholism and environmental degradation have become widespread and that local communities have seen no benefits from the project. As an example, he cites the small village of Komé which is adjacent to ExxonMobil's state-of-the-art local headquarters. The village continues to wait for the construction of a water well.³⁴

Despite these obvious failures, the ICR gives Chad a passing grade: "Overall, Chad's implementation performance is rated moderately unsatisfactory" (ICR, 7.5).

Public health

The Environmental Panel of Experts established as a requirement of the World Bank's environmental assessment process noted that the project represented an ideal opportunity for the transmission of HIV/AIDS along the pipeline route and in the oil fields.³⁵ Accordingly, the panel ranked minimizing and treating infection as the top priority for health management and called for extraordinary measures to prevent a potentially catastrophic situation. Yet no effective measures have been put in place to address the devastating spread of HIV/AIDS and other communicable diseases.

In early 2005, a Cameroonian study on HIV/AIDS along the pipeline (*Rapport Provisoire Enquête Sida*) found a marked increase of the rate of HIV/AIDS infection along the pipeline corridor. There were shortcomings in the methodology of the study, which the collection of additional data could have rectified.

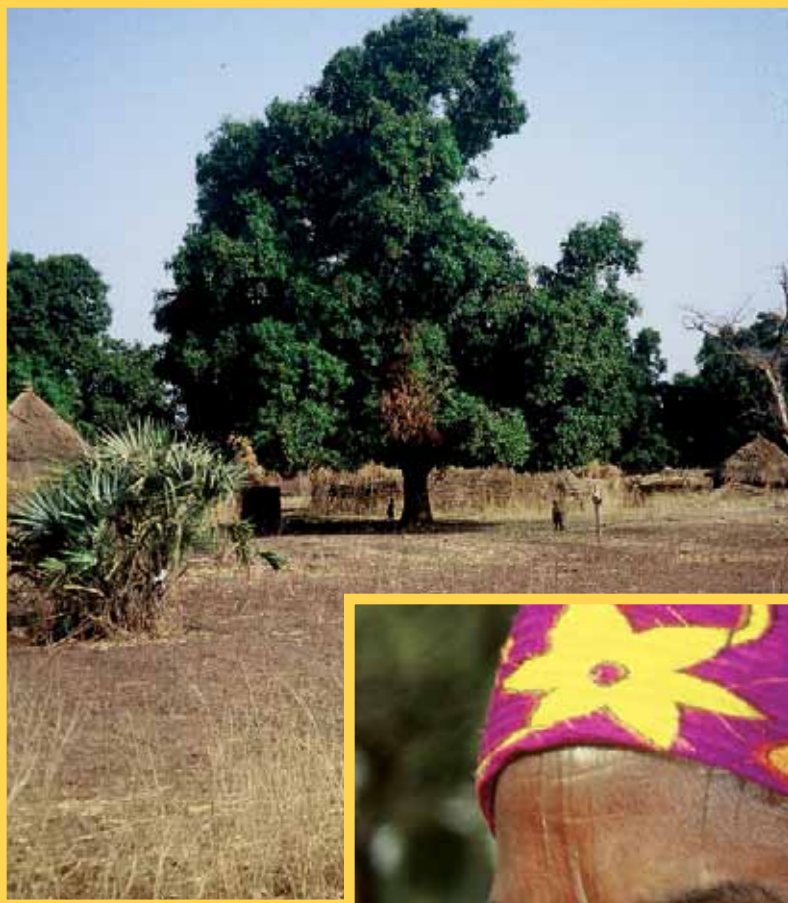
Urgent remedial action still needs to be taken to impede the further spread of the disease throughout both Chad and Cameroon and to effectively treat those already infected. The now largely demobilized workforce and the movement of work camp followers call for additional measures to track and address the spread of the disease.

The ICR states that the World Bank "facilitated the provision of new economic, social, demographic and health data, including on HIV/AIDS to the governments to help prepare additional mitigation measures in both countries and a Regional Development Plan in Chad" (Overview, 38). As noted earlier, Chad's regional development plan has not yet been approved by the government, and it is questionable whether the data provided by the Bank have made a difference.

BELOW: Children of Nkoltara village, October 2005.



photos by Korinna Horta



LEFT:
Village near the Doba
oil fields with mango
trees essential to local
livelihoods

BELOW:
A woman living near
the oil fields



photos by Korinna Horta

In a letter to NGOs in April 2005, a senior World Bank official confirmed that many capacity-building activities to benefit health centers are yet to be completed, notably the allocation of more human, financial and technical resources.³⁶

Employment

The project's employment figures are difficult to assess because much of the employment was precarious and short-term. During peak construction in 2002, an estimated 6,000 workers were employed in Cameroon. In 2007, the number is less than 1,000. There is no mention in the official reports of the frequent labor unrest and strikes that came to characterize the construction period. The ill-treatment of workers, including their imprisonment, was documented not only by Cameroonian organizations but also by the International Federation of Building and Wood Workers in Geneva. The unions reported that the companies involved in the project were using the dire economic situation in both Chad and Cameroon to exploit workers, paying them low wages, and providing poor working conditions and

inadequate housing and food. The ECMG too describes dismal working conditions in so-called 60-men buildings, which lacked even a minimum of sanitary conditions or comfort.³⁷

The World Bank's lack of a policy on labor standards made it impossible for workers to obtain redress by, for example, submitting a complaint to the World Bank's Inspection Panel.

What about small local businesses? The ICR states that it would have been best to assess and strengthen the capacity of the local private sector to enable it to benefit from the opportunities provided by the project: "the design of a successful linkages program needs to take place upstream prior to the commencement of the investment project itself" (Overview, 38). At the same time, the report claims that "The Project has therefore been instrumental in the emergence of successful SMEs [Small and Medium Enterprises]" (Overview, 36). We are left to draw our own conclusions. While some local businesses may have benefited at some stage from the project, there is no discernible positive impact on the local economy.

6. Environment and livelihoods

According to the ICR: "It is generally agreed that the project's environmental and social outcomes have in large measure been mostly positive and the project can be seen as good practice in terms of process, substance and outcomes in addressing these issues" (Overview, 37). There is no evidence for this assertion. To the contrary, local livelihoods are deeply affected by the environmental degradation brought about by the project, and the loss of land has been one of the most measurable impacts.

Both the independent monitors (ECMG and IAG) have repeatedly warned about a deterioration of livelihoods, but there has been little in terms of official reaction to these findings. Information about the restoration of livelihoods is largely absent from the ICR documents. The ECMG admits that it issued a "Certificate of Compliance" in August 2004 because of commitments by the consortium (and the World Bank) that issues of non-compliance would be addressed, most notably on the taking of land from local peasants. But as the ECMG

itself notes,³⁸ these issues have not been addressed and represent important violations of the Environmental Management Plan (EMP).

According to the ECMG, the project has taken twice the amount of land as originally estimated, and the number of non-viable households has risen more than three-fold.³⁹ In addition, there have been more restrictions on land use by local peasants. In an economy largely based on subsistence farming, land is no trivial matter. It is a question of life and death.

Initiatives that were meant to help restore livelihoods, such as programs to improve agricultural techniques and the micro-credit facility FACIL, have run out of funds. In violation of the EMP, there is no systematic monitoring of the restoration of livelihoods.

Unaddressed environmental problems

One of the outright misrepresentations contained in the ICR concerns its assertion that when exceptions to compliance with the social and environmental standards set forth in the Environmental Management Plan were noted, these were promptly remedied (Overview, 7).

What follows are some of the problems noted by the ECMG and the IAG, many of which have been stressed over several years without effective mitigation:

- A much larger ecological footprint than initially planned (ECMG November 2005).
- Health risks and damage to crops and trees because of lack of dust control. Major dust problems continue to be observed in the oil field area, especially along the main road. They are seriously impairing visibility and impacting air quality in the area. According to the ECMG, the situation poses health risks to the communities, including respiratory distress, and it calls for an urgent assessment of the impact of the damage caused by thick layers on crops, trees and shrubs. The ECMG rates this as a serious non-compliance with the EMP and says that it only issued the Certificate of Compliance based on the commitment that this would be dealt with (ECMG November 2005).
- Well pads and borrow pits: Non-compliance with EMP because of problems related to stagnant water, breeding grounds for mosquitoes, unprotected high tensions cables and other issues (ECMG November 2005).
- Toxic waste: The hazardous waste incinerator in Komé continues to be non-operational. Waste storage and handling needs improvement (IAG Sept.-Oct 2006, ECMG November 2005).
- Serious erosion in the Mbere Rift Escarpment (ECMG November 2005).
- Commercial logging along the access roads in the ecologically sensitive rainforest near Nanga Eboko and Belabo (ECMG November 2005).
- Poaching and the spread of invasive species along the access roads near gorilla and chimpanzee habitat (ECMG November 2005).
- Oil flaring—which the EMP promised to keep to a minimum—is a serious concern for local communities. ExxonMobil admits to flaring more gas than specified in the EMP, but claims its emissions of NO_x are below standards set in the United States (IAG Sept-Oct. 2006).

- Delays and insufficient funding for the management of the two biodiversity off-set areas, the Campo Ma'an and the Mbam and Djerem national parks (IAG March 2006).
- Park management plan for Mbam and Djerem has not yet determined alternative livelihood strategies for area residents who can no longer use the park as they traditionally have (IAG March 2006).

Many project impacts were not foreseen in the Environmental Management Plan, but their dramatic effects on livelihoods and the environment call for effective action. An example is the destruction of the reef in front of Eboumé village on Cameroon's coast. According to the local fishermen, destruction of this reef, a breeding place for local fish, has caused serious harm to their ability to fish. The fish ponds that the consortium provided in compensation were not viable and were soon abandoned. After several years of IAG reports on the problem, an artificial reef was put in place in July 2006. There is, however, no indication of how effective the artificial reef is in restoring local fisheries.

Last but not least, the World Bank's Inspection Panel expressed concerns about weak linkages between baseline data and environmental assessments. Moreover, the Panel concluded that the Bank had violated its Environmental Assessment Policy because it failed to carry out the cumulative and regional environmental assessment that a project of this magnitude requires. In response, Bank management promised that Chad's regional development plan would also serve as a cumulative, regional EIA. As noted earlier, the regional development plan has not been approved, and there is no information if it will deal – belatedly – with any of the cumulative impacts. Nevertheless, the ICR concluded: "Except for the implementation of the Revenue Management Program, which is an on-going activity, the implementation of all components is rated satisfactory" (ICR, 4.2.1).

Indigenous Peoples Plan

Among the most puzzling of the ICR's assertions is the following: "compensation and Indigenous Peoples Plan implemented in a timely manner" (ICR, 22). Both the IAG and ECMG reports contain information that illustrates this claim is ludicrous.

The World Bank's Operational Directive on Indigenous Peoples (OD 4.20), which was in force when the World Bank approved funding for the project in 2000, is meant to promote development in a manner that ensures full respect for the dignity, human rights and uniqueness of indigenous peoples.⁴⁰ It requires the preparation of an indigenous peoples plan for any project affecting indigenous peoples and lays down the procedures:

The issues pertaining to indigenous peoples must be based on the informed participation of the indigenous peoples themselves. Thus, identifying local preferences through direct consultation, incorporation of indigenous knowledge into project approaches, and appropriate and early use of experienced specialists are core activities for any project that affects indigenous peoples and their rights to natural and economic resources.⁴¹

The policy also requires the World Bank to identify a Cameroonian government agency as being involved in protecting the rights of indigenous peoples and to assist the government with establishing legal recognition of the customary or traditional lands of indigenous people.

But the World Bank did not identify a Cameroonian government agency, and nothing was done with respect to the recognition of legal land rights for the affected Bakola/Bagyeli people in southwestern Cameroon. Implementation of the Bank's Indigenous Peoples Policy was largely left to the consortium. ExxonMobil carried out surveys and studies to identify key issues relating to the Bagyeli and claims to have consulted with the Bagyeli starting in 1996.⁴²

But there was no consultation in the proper sense of the word. According to the Bagyeli, the information provided during those meetings did not consider the Bagyelis' oral tradition and the fact that about 98% of Bagyeli are illiterate. The flyers and brochures that were distributed were of little value to them. Neither the project nor its risks were explained in an appropriate fashion. The meetings mostly served to instruct the Bagyeli to stay away from the pipeline route during construction.⁴³

Since 2003, the Center for Environment and Development (CED) in Cameroon has supported the Bagyeli in documenting their use of the forest and its resources through a process known as "participatory mapping." It entails the collection of detailed information on Bagyeli use of the forest and its resources and thereby helps to confirm that access to forests is indispensable to the Bagyelis' survival as a people.

CED (a co-author of this report) concluded that the Bagyeli were not receiving compensation for the effects of the pipeline crossing their lands even though it was clear that the pipeline was damaging the resources that are critical to their livelihoods.⁴⁴ Since the World Bank's Indigenous Peoples Policy demanded that something be done, ExxonMobil set up a Cameroonian foundation, Foundation for Environment and Development in Cameroon (FEDEC), which was meant to address Bagyeli health and education needs and assist with agricultural development.

A dysfunctional foundation

In 2001, the private oil consortium provided \$3.5 million for a trust fund to be managed by FEDEC for two purposes: 1) the management of two new national parks, the Mbam and Djerem National Park and the Campo-Ma'an National Park; and 2) the implementation of the Indigenous Peoples Plan (IPP). According to the World Bank, "A sinking fund with an initial capital of U.S. \$600,000 will be established by COTCO for the life of the project....Interest on the endowment would be used each year to fund the IPP."⁴⁵

Since only the returns generated by investing these funds are available for spending, the amounts become negligible. If we assume an optimistic 10% annual return, the trust fund would generate \$60,000 per year. How much of this amount would be used for FEDEC's overhead, administration, vehicles, etc., and how much would actually be spent to improve conditions for the Bagyeli is unclear. Whatever paltry sum is left over supposedly is to finance programs that address problems of health, education, agriculture and overall well-being of the Bagyeli.⁴⁶

FEDEC is controlled by ExxonMobil's local company COTCO and has mostly been a dysfunctional organization since its creation in 2001. While it has undergone several restructuring efforts, it has yet to show that it will ever be able to operate. The ECMG warned in 2005

of the continued ineffectiveness of FEDEC. Since FEDEC was set up to meet the requirements of the World Bank's Operational Policies on Indigenous Peoples (OP 4.20) and on Natural Habitats (OP 4.04), the ECMG concluded that the failure to comply with the World Bank's policies amounted to non-compliance with the Environmental Management Plan. Similarly, the IAG points out that FEDEC has yet to develop its strategic objectives or figure out how to meet them. The IAG also warns that FEDEC is already reducing its annual income by dipping into the capital of the trust fund, which was supposed to cover FEDEC's expenditures and programs for the 28-year duration of the pipeline project.⁴⁷

To date, FEDEC's activities concerning the IPP have been largely limited to handing out identification cards to several hundred Bagyeli people. While these documents are welcome because they signal Bagyeli citizenship in Cameroon, they do little to advance recognition of the Bagyelis' traditional rights to land. In addition to the ID cards, FEDEC has also provided certain handouts that the Bagyeli themselves have described in the following manner:

A few bags of rice, a few kilos of fish and a bit of salt distributed here and there in a sporadic manner do not really represent anything in the process of sustainable development which is a fundamental need of the Bagyeli community. On the contrary, this model of development renders them more dependent, rather than providing the bases for sustainability. It is not occasional aid that is needed, but sustainable programs.⁴⁸

Despite FEDEC's widely known problems, the ICR takes the sunny view: "Resources from the Foundation for Environment and Development in Cameroon were used to support programs proposed by these indigenous peoples in the areas of agriculture, health, education, housing and citizenship" (Overview, 22).

Communication and participation

The ICR highlights the project's consultation with civil society organizations and people potentially affected, but it also acknowledges that such participation only

occurred initially, and that efforts by the governments and the consortium waned in to the course of project implementation (Overview, 37).

Both World Bank management and ExxonMobil conducted what they describe as extensive consultations with local communities: "Since 1993 the project has held nearly 5,000 public consultations...by far the most extensive public consultation ever undertaken in Africa."⁴⁹

Certainly many meetings were held, but "consultation" does not seem to be an adequate term. The World Bank's Inspection Panel found that, at least prior to 1997, the consultations in Chad took place in the presence of security forces that local people identify with massacres and massive human rights violations.

Every single IAG report pleads for improved communication between the project sponsors, the governments and civil society. Communication continues to be poor, and without it true participation is not possible.

Compensation

The ICR claims "compensation programs in both countries were carried out successfully" (Overview, iv). Civil society organizations in Chad and Cameroon could not disagree more. They have documented several hundred cases of serious compensation problems. A visit to any village in the oil region or along the pipeline route would quickly confirm the lack of adequate compensation for poor rural communities.

The official project monitors too find much that is wrong. The ECMG calls for compensation for new restrictions of land-use for local farmers and refers to wide-spread community dissatisfaction with compensation. The ECMG observed faulty community compensation, such as poor construction of spring catchments, insufficient depth of open hand-dug wells and uncompleted classrooms and other community buildings.⁵⁰ The IAG similarly questions the effectiveness of compensation for the affected populations. It also refers to an ExxonMobil assessment that was meant to establish whether the company was using appropriate criteria to determine if households are viable after receiving compensation. The IAG recommends that ExxonMobil use this assessment to "adjust its compensation measures to bring them more into line with the true impact borne by the population."⁵¹

National oil spills response plans lacking

Although they should have been in place several years ago, Chad and Cameroon have not yet approved their respective National Oil Spills Response Plans.

In January 2007, an oil spill occurred on the Cameroonian coast. While little information was provided on the extent of the spill, the World Bank issued a public statement complaining about the government's delay in informing about the spill and about the continued lack of a National Oil Spills Response Plan.⁵² But it is the private consortium that has the information, and the government of Cameroon has little capacity in the area of oil spills.

The management of this oil spill raised concerns about the ability of the project sponsors to adequately handle a major oil incident along the pipeline route:

- The quality of communication about the incident was very poor. Despite the fact that international and domestic media were reporting the news, even on the front page, the first official information from the consortium was only available four days after the inci-

dent, and the government has never issued a statement on the issue.

- There is a lack of publicly available baseline data on the marine environment, and of analysis of the quality of the crude oil from southern Chad. These two sets of data would provide a useful basis for evaluating the impact of the project on the marine environment in Kribi.
- In the absence of the National Oil Spills Response Plan, the lines of responsibility between the consortium and the government seem unclear. Furthermore, questions remain about who will bear the costs and about what exactly is covered by insurance contracts.

According to the ICR, "ExxonMobil...can be counted on to meet the objectives of the project" (ICR, 12). However, as we will see in the next section, the World Bank doubts if it can enforce its agreements with the consortium when it comes to the development of new oil fields.

7. New oil

New exploration and the development of additional oil fields is picking up pace. The satellite Nya Moundouli oil fields started production in March 2006, the new Maikeri field is scheduled to come on stream during 2007. Exploration work also is advancing in several other regions of southern Chad. The Chadian government, however, has not been monitoring these significant exploration and construction activities.⁵³

The World Bank's loan and project agreements with the two governments and the consortium included a gate keeping clause meant to ensure that all additional oil using the pipeline had to respect the same environmental

and social principles as the original project. This was a promise made to the international community that the cumulative risks of the project would be properly addressed.

The ICR now admits that this clause in the agreements may not be worth very much: "However, since the World Bank will most probably not be involved in financing any new oil development, the enforcement of this clause may be quite problematic." It adds that to "subject oil to be transported through the pipeline to the same level of environmental protection as the oil originating in Doba may raise many questions" (Overview, 40).

8. Conclusion

The ICR sees a silver lining in the serious problems created by the Chad-Cameroon oil and pipeline project: "However, it should be noted that despite the shortcomings, implementation of the Project offered the various stakeholders the opportunity to be exposed to real issues in real time and therefore learn by doing" (Overview, 30). The Bank's "learning by doing" approach has been catastrophic for many of the affected people. In addition, it is anybody's guess where the oil-money fueled violence in Chad will lead.

The Bank refers to itself as the "Knowledge Bank" and it should have known better. The pernicious phenomenon of the "resource curse" was well established, and a thorough analysis of Chad's political environment and the governance situations in both Chad and Cameroon might have led the Bank to conclude that the NGOs were justified in calling for a moratorium on funding the project. The campaign by the Chadian and Cameroonian NGOs was supported by an international network of environmental, human rights and development organizations. Unfortunately, instead of a frank dialogue, the Bank opted for a public-relations battle with the NGOs.

Leaked internal memoranda exchanged in 1999 between the World Bank's then vice president for environmentally and socially sustainable development and the then vice president for Africa show the Bank was more concerned about protecting its image than engaging in a substantive debate. The memos describe plans to send "listening missions" (quotation marks are in the original) to NGOs in several countries in order to buy time while the Bank convinced the key decision-makers and opinion-makers.⁵⁴

In addition to the NGOs, members of Congress, parliamentarians and academics expressed concerns about the advisability of the project, but to no avail. One example is the early and substantive critique of Chad's revenue management system prepared by Harvard Law School, which anticipated many of the problems now plaguing this centerpiece of the project.⁵⁵ In Congressional testimony, Professor Rosenblum, then director of Harvard Law School's Human Rights Program, explained the not so subtle pressure he experienced:

We at Harvard had a taste of the World Bank's defensiveness when we submitted the Harvard Memorandum that analyzes the Revenue Management Plan. A number of Bank officials, who are also alumni of Harvard Law School, called the office of the Dean of the Law School to complain. Three officials came to Harvard personally to discuss the matter. One of them, a senior official in the legal department of the Bank, told us, essentially, that Africa 'didn't need a group of Westerners parachuting in to tell them what to do.' I introduced him to the students who had worked on the project, one third of whom were from Sub-Saharan Africa.⁵⁶

WHAT ABOUT THE OFFICIAL PROJECT MONITORS?

The Environmental Panel of Experts, which was appointed as a requirement of the Bank's policy on environmental assessment, only worked during project preparations. Its reports are confidential, and even the World Bank's Inspection Panel was not able to access them. The public health expert on the panel, William Jobin, says in an article he wrote for the World Health Organization:

The appointment of an international panel of experts by the [project] proponents gave the erroneous impression that the environmental assessment and the environmental management plan were carried out under the supervision of this panel, and that the documents had their approval, whereas, in fact, the panel was largely ignored. The proponents apparently had other, more pressing concerns. Environmental and social equity considerations for the people of the Doba oil-producing region were largely ignored in the final execution of the project.⁵⁷

Both the ECMG and the IAG began project monitoring during the construction phase and are continuing during the operational phase. The ECMG's yearly field visits have been reduced to one, and the IAG visits the countries once or twice a year.

The ICR states that based on the positive experience of these outside monitoring arrangements, the Bank is already using such arrangements to good advantage in large infrastructure projects elsewhere in the world (Overview, 16).

But there is a problem. There has been either limited or no follow-up on many of the warnings and recommendations of the project monitors. That is why seven years after project approval, severe problems continue to exist, such as the dangerous levels of dust pollution, the lack of a regional development plan for Chad and the absence of effective programs for Cameroon's indigenous peoples.

According to the ICR, the project was to be "a model for analyzing and mitigating environmental and social impacts of other petroleum operations, as well as for large-scale infrastructure and other investments" (Overview, vi). It has indeed turned out to be a model: for how not to develop this type of project.

Normally the World Bank's active involvement in a project reaches its end with the Project Implementation Completion Report. Too much is at stake here for the World Bank to just walk away. The Bank had wanted this to be a model. It should take responsibility and use all the necessary resources to mitigate the existing problems.

Recommendations

The Bank should start addressing the issues of the Chad-Cameroon oil and pipeline project by immediately mitigating problems identified by the ECMG and IAG. For example:

- Resolve problems of dust pollution, hazardous waste and general public health.
- Ensure adequate compensation and the restoration of livelihoods in the oil-producing region.
- Scan all regional compensation projects for defects and identify solutions and resolve outstanding grievances.
- Ensure active participation by indigenous peoples in the Indigenous Peoples Plan and ensure their right of ownership to the land they traditionally occupy.

But larger lessons need to be drawn. The Chad-Cameroon project stands out in the history of the World Bank, perhaps because it was subject to intense public scrutiny. Never before has the WBG dedicated so much attention to the design of a project (Chad's revenue management system is an example). Despite these extraordinary circumstances, the project has failed to reach its objectives. In light of this experience, the WBG should fundamentally rethink its response to the Extractive Industries Review recommendations. Ultimately, a long overdue change in institutional culture is necessary to put the quality of World Bank lending above the goal of moving money.

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Acronyms and Abbreviations

COTCO:	Cameroon Oil Transportation Company, S.A.
ECMG:	External Compliance Monitoring Group
EMP:	Environmental Management Plan
IAG:	International Advisory Group
IBRD:	International Bank for Reconstruction and Development
ICR:	Project Completion Implementation Report
IDA:	International Development Association
IPP:	Indigenous Peoples Plan
PAD:	Project Appraisal Document
TOTCO:	Tchad Oil Transportation Company, S.A.

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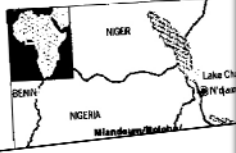
The Guardian

Monday 10

World Bank pushes Chad

Memos reveal schemes to sideline critics who fear poor will lose out

the oilfields could be the last to benefit. The memos, exchanged between the World Bank's Washington headquarters and staff in Africa, reveal that talks have been taking place between the bank's president, James Wolfensohn, and Exxon's head, Lee Raymond, to sort out "the image issue and public opinion."



The Guardian

PUBLISHED WEDNESDAY, JANUARY 17, 2007

Trouble in the pipeline

The World Bank said oil from Chad would help the

The New York Times

WEDNESDAY, MAY 16, 2007

Chad's Wait for Its Oil Riches May Be Long

By NORIMITSU ONISHI with NEELA BANERJEE
KOMÉ, Chad — A dozen men waited under the one giant tree that stood — luckily for them, given the brutal midday sun — across from the ExxonMobil's office waiting for just one of the new Toyota cars carrying an ex-who might, at long last, gate and offer them a couple of them. They had been here nearly three had worked a single Yet many more joined them after Oil

"They tell us to wait — 'Wait, wait, be patient' — so we are waiting," said Julien Djimasé, 31, who has stood at the gate every day since October. "Me? I have not lost

vening years have barred an enduring paradox: sudden wealth does not lift poor nations out of their poverty, but instead creates societies afflicted with a wealthy, corrupt elite, and widespread

AIDS Could Follow African Pipeline

The project attracts job-seekers and prostitutes. Experts say that boosts HIV risk.

Second of two parts.

ExxonMobil Corp. officials call the shantytown Komé Atan, from the French word for "to wait," as in waiting for a job. Residents call the place Komé Satan, for its numerous prostitutes and bars. Health experts say conditions

in N'Djamena, Chad's capital. "When you combine that with the usage of alcohol, it's a recipe for the spread of AIDS." There is no way to measure the problem precisely, because clinics in Chad's southern oil-gion lack the means to test

The New York Times

Striking It Poor: Oil as a Curse

By DAPHNE EVIATAR

The pipes are already laid in southern Chad, where they snake south underground through tropical forests from the oil fields of Doba to a marine terminal off the coast of neighboring Cameroon. At the port of Kribi, the 600-mile pipeline will carry up to 250,000 barrels a day of coveted crude into tankers waiting to transport the unctuous black gold to Western markets. The largest energy infrastructure development in Africa, the Chad-Cameroon pipeline is to begin operation later this year. Built by a consortium of oil companies led by Exxon Mobil, it is expected to provide average annual revenue of \$50 million. The World Bank Group has invested

more than \$180 million in the project, insisting that the pipeline's profits could significantly improve the lives of Chad's residents, most now in squalor, by paying for services such as health care, education, paved roads and sewer systems.

Many critics find that surprising, given that scholars consistently warned of what is as the resource curse: that ing countries whose economies depend on exporting oil, gas or other minerals are likely to become authoritarian, corrupt and prone to civil war. And now a draft report commissioned by the bank essentially concluded that previous efforts to pro-

In the third world, oil may be a curse

PAGE 8

EDF Predicts Risks Could Mar World Bank and Chad/Cameroon Oil & Pipeline Project

In this part of the New York Times report, the World Bank's Environmental and Social Impact Assessment (ESIA) report, published two weeks ago, it is predicted that the Chad-Cameroon oil pipeline project could be threatened by several

risks. The oil from Chad's Doba fields is low quality, high sulfur and very thick. In addition to pumps, this pipeline to move the oil will require heating the oil. Both the heating and high sulfur content increase the risk of pipe corrosion.

Leaking Pipelines: Oil pipelines are an environmental hazard anywhere in the world. Even with the latest state-of-the-art technology, oil leaks in pipelines can go undetected until a huge amount of damage has been done. The most sophisticated technology has a detection capacity of only 0.02% of the pipeline's capacity. With an estimated daily volume of 9,450,000 barrels of crude oil a day (the equivalent of 225,000 barrels/day), this means that under the best

scenarios, the oil from Chad's Doba fields is low quality, high sulfur and very thick. In addition to pumps, this pipeline to move the oil will require heating the oil. Both the heating and high sulfur content increase the risk of pipe corrosion.

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FINANCIAL TIMES

USA MONDAY

Comment & Analysis

The 'resource curse' anew: why a grand World Bank oil project has fast run into the sand

The Washington Post

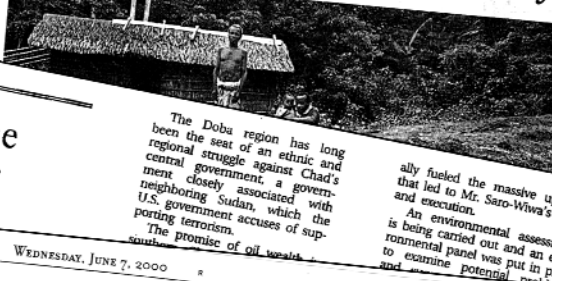
BUSINESS

SATURDAY, JANUARY 7, 2006

World Bank Cuts Off Aid To Chad in Oil Dispute

Nation Won't Yield

By NORIMITSU ONISHI
MAROLO, Cameroon Behind the hills next to this Pygmy village in the Central African rain forest, a pipeline is to be built in a few years to carry oil to the Atlantic coast, where it will be shipped to the West. The pipeline bank endorses. It will be \$3.7 billion. The oil export revenue will be used for development. The pipeline will be built in a few years to carry oil to the Atlantic coast, where it will be shipped to the West. The pipeline bank endorses. It will be \$3.7 billion. The oil export revenue will be used for development.



Pipeline disaster in the making

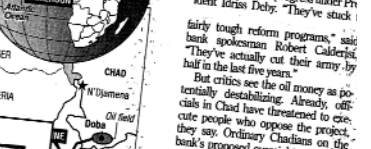
By KOB...

The Washington Post

World Bank to Fund Disputed Pipeline

The bank has showcased the project as a bold move for it to team with private companies to link impoverished societies with the world economy. In particular, they cite Chad, a large agrarian country in which about 80 percent of the 7 million people live on less than a dollar a day.

Bank officials contend that however violent and unstable Chad has been, it is making serious progress under President Idriss Deby. "They've stuck fairly tough reform programs," said bank spokesman Robert Calderis. "They've actually cut their army by half in the last five years."



Opponents have campaigned to postpone the project for two years, saying it shouldn't proceed until truly democratic institutions are in place in the two countries. The concerns focus on Cameroon. The bank has conducted major environmental studies in several times rerouted the pipeline, which would be underground, to reduce its impact. It claims that only four square miles of forest would be lost and only 80 families would be relocated.

The sole abstention yesterday was by a director who represents the



photo by Korinna Horta

Village in southern Chad near oil fields

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